



NEWS RELEASE

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STOCKTON GETS APPROVAL TO MOVE FORWARD WITH EXITING BANKRUPTCY

Judge Denies Franklin Request for Stay Pending Appeal

(Stockton, CA) - On Tuesday, January 20, 2015, Chief Judge Christopher M. Klein of the United States Bankruptcy Court for the Eastern District of California denied a request to stay Stockton's exit from bankruptcy. Judge Klein had ruled on October 30, 2014, that the City's bankruptcy exit plan is confirmable. The only significant objections to the plan were filed by Franklin High Yield Tax-Free Income Fund and an affiliate. Franklin filed an appeal and a request for stay on November 12, 2014, asking the Judge to prevent the City from moving forward with implementation of its plan of adjustment while the appeal is being heard. The Judge's ruling today denying the stay will allow the process to move forward. Once the Judge signs the order, an automatic stay will be in place for 14 days, after which the City's plan can go into effect.

"This is great news," said City Manager Kurt Wilson. "As the Judge indicated in court today, it removes a lot of uncertainty for all of us – employees, retirees, creditors, businesses and investors – and allows Stockton to move forward without the stigma of bankruptcy. All of the negotiated agreements must be finalized and checks prepared for payments due on the effective date of the plan, which is when we can formally declare that

we are out of bankruptcy. We anticipate that the plan will become effective in mid-February.”

Franklin’s appeal will be reviewed by three bankruptcy judges who serve on the United States Bankruptcy Appellate Panel of the Ninth Circuit (the “BAP”). The majority of appeals from bankruptcy court decisions are heard by the BAP. In his ruling today, Chief Judge Klein stated that he is confident in his prior decisions and that he feels that “the likelihood of success of the appeal by Franklin is low.” He went on to say that allowing implementation of the plan to move forward is in the “public’s best interest.”

For additional information, please visit www.stocktongov.com/bankruptcy or call (209) 937-8827.

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A complete transcript of the October 30, 2014, ruling is available at www.stocktongov.com/chapter9.

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